

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 COME-00 TRSE-00 OMB-01 INT-08 GSA-02 STR-08

TAR-02 DRC-01 /120 W

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R 260430Z JUL 74

FM AMCONSUL BRISBANE

TO SECSTATE WASHDC 461

INFO AMCONSUL MELBOURNE

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E.O. 11652: N/A

TAGS: EMIN, EFIN, AS

SUBJECT: BAUXITE ROYALTIES

REF: STATE 161569 (NOTAL)

1. SUMMARY: BEGINNING AUGUST 1 QUEENSLAND GOVERNMENT WILL INTRODUCE NEW MINERALS ROYALTIES DESIGNED TO INCREASE STATE MINING REVENUES. ROYALTIES SCALE HAS BEEN ESTABLISHED FOR COAL BUT NEGOTIATIONS ARE UNDERWAY REGARDING BAUXITE AND OTHER MINERALS. MOVE IS DICTATED BY NEED TO BALANCE STATE BUDGET IN INFLATIONARY SITUATION AND TO AVERT UNPOPULAR CONSUMER TAXES PRIOR TO STATE ELECTIONS.

2. GENERAL STATE GOVERNMENT APPROACH HAS BEEN SWITCH FROM FLAT RATE PER TON ROYALTY TO A PERCENTAGE RATE OF FOR (FREIGHT ON RAIL) VALUE. PERCENTAGE TO BE USED IS 10 PCT. WITH EXCEPTIONS IN PARTICULAR CASES LOWERING RATE TO 5 PCT. FULL DETAILS ON EXCEPTIONS WILL FOLLOW IN SEPARATE AIRGRAM. FOR BAUXITE PRESENT ROYALTIES ARE 10 CENTS PER TON FOR BAUXITE EXPORTED FROM THE MAJOR MINING AREA AT WEIPA AND 5 CENTS PER TON FOR BAUXITE SHIPPED FROM WEIPA TO DOMESTIC PROCESSORS. THESE ROYALTIES WILL

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INCREASE TO 10 PCT. OF FOR VALUE OF EXPORTED BAUXITE AND 5 PCT.

OF FOR VALUE FOR LOCALLY PROCESSED BAUXITE.

3. PRIMARY ISSUE IN BAUXITE NEGOTIATIONS WILL BE ESTABLISHING FOR VALUE FOR BAUXITE. REGARDLESS OF WHEN AGREEMENT REACHED NEW ROYALTIES SCHEME EFFECTIVE AUGUST 1. QUEENSLAND GOVERNMENT WILL NEGOTIATE WITH MELBOURNE-BASED COMALCO GROUP IN WHICH KAISER ALUMINUM OWNS 45 PCT. ONLY KAISER REPRESENTATIVE IN QUEENSLAND IS THE AMCIT MANAGER OF QUEENSLAND ALUMINA LTD. WHICH IS 32 PCT. OWNED BY KAISER, 13 PCT. BY COMALCO. QAL NOT INVOLVED IN NEGOTIATIONS AS IT IS ONLY A BAUXITE PROCESSOR FOR A CONSORTIUM OF FIVE COMPANIES WHICH OWN IT. MANAGER INDICATES WARD SAUNDERS, JR., CORPORATE VICE PRESIDENT AT KAISER CENTER, 300 LAKESIDE DRIVE, OAKLAND, IS STATE-SIDE KAISER REPRESENTATIVE MOST FAMILIAR WITH THESE MATTERS.

4. INITIAL FIXED ROYALTY RATES ORIGINALLY WERE ESTABLISHED IN LONG-TERM CONTRACTS BETWEEN COMPANIES INVOLVED AND QUEENSLAND GOVERNMENT. COMALCO AGREEMENT IS FOR 84 YEARS. IN EARLY PERIOD OF MASSIVE MINERAL RESOURCES DEVELOPMENT QUEENSLAND GOVERNMENT ACCEPTED LOWER ROYALTIES IN RETURN FOR MASSIVE COMPANY INVESTMENT IN INFRASTRUCTURE, E.G. NEW TOWNS, RAILWAYS, PORT FACILITIES, ETC. WHICH WERE HANDED OVER TO STATE GOVERNMENT UPON COMPLETION TO BE OPERATED AT CONSIDERABLE PROFIT BY STATE.

5. COMMENT: THE RESORT TO SIGNIFICANTLY HIGHER ROYALTIES WAS HISTORIC STEP BY QUEENSLAND GOVERNMENT WHICH HAS LONG PREFERRED ITS PROFITS AND FRINGE BENEFITS. LABOR PARTY OPPOSITION HAS LONG CRITICIZED RELATIVELY SMALL MINERAL ROYALTIES. THE TIMING OF THE INCREASE, HOWEVER, HAD NOTHING TO DO WITH DISARMING OPPOSITION AND NO DISCERNABLE TIE TO JAMAICAN SITUATION OTHER THAN TIMING COINCIDENCE AND MATERIALS SHORTAGE. IT AIMS TO HELP BALANCE STATE BUDGET IN FACE OF SPIRALING INFLATION. BALANCED UP TO NOW THE STATE BUDGET LOOKED LIKE SLIPPING DEEPLY INTO RED NEXT YEAR. ON JUNE 7 FEDERAL GOVERNMENT INFORMED STATES THEY COULD NOT HOPE FOR ENOUGH FEDERAL AID TO BALANCE THEIR BUDGETS BUT SHOULD RESORT TO SUCH EXPEDIENTS AS CONSUMER TAXES. WITH QUEENSLAND STATE ELECTIONS SCHEDULED ON OR BEFORE MAY 1975 STATE GOVERNMENT DECIDED LOOK INSTEAD TO INCREASE ROYALTIES FOR NEW FUNDS AND SENT STATE TREASURER ON VISIT JUNE 19 TO JULY 17 TO SOME OF MAJOR MINERAL DEVELOPERS. APPARENT SUCCESS OF HIS TRIP PROMISES THAT LIMITED OFFICIAL USE

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PRO-DEVELOPMENT GOVERNMENT PARTIES IN QUEENSLAND WILL BE ABLE ANNOUNCE ONE OF THE MORE POPULAR STATE BUDGETS IN THE ELECTION YEAR TO COME.

6. AIRGRAM FOLLOWS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, BAUXITE, LAW, GOVERNMENT BUDGET, BUSINESS FIRMS, NEGOTIATIONS, INCOME TAXES, ROYALTIES, ANTINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRISBA00095
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740202-1151
From: BRISBANE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740715/aaaaamxe.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 161569 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2002 by boyleja>; APPROVED <27 FEB 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BAUXITE ROYALTIES
TAGS: EMIN, EFIN, AS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005